

**PUBLIC DISCLOSURE**

**October 15, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CLINTON SAVINGS BANK**

**Certificate # 90181**

**200 CHURCH STREET  
CLINTON, MASSACHUSETTS 01510**

**Division of Banks**

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| <p><b>NOTE:</b> This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Clinton Savings Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **October 15, 2012**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

### **INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

#### **Lending Test**

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

#### ***Loan-to-Deposit Ratio***

The loan-to-deposit (“LTD”) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 10 quarters since the prior CRA evaluation, dated February 1, 2010, was 89.7 percent.

#### ***Assessment Area Concentration***

A majority of the Bank's home mortgage and small business loans, by number and dollar amount, were within its designated assessment area. During 2010 and 2011, 54.8 percent of the number of home mortgage loans, and 60.9 percent of the number of small business loans were made inside the assessment area.

### ***Geographic Distribution***

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Performance within the middle- and upper-income tracts is adequate. While the Bank made only one loan in the moderate-income tracts, it should be noted opportunities are limited based on the small percentage of owner-occupied housing units and businesses in these geographies.

### ***Borrower Characteristics***

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income), and businesses of different revenue sizes. The Bank slightly exceeded the aggregate market in percentage of home mortgage loans to low- and moderate-income borrowers in 2010. Additionally, the Bank responded to small business financing needs by making the majority of its loans to the assessment area's small businesses.

### ***Response to Complaints***

Clinton Savings Bank did not receive any CRA-related complaints during the period reviewed.

### **Community Development Test**

The institution is rated "**Satisfactory**" under the Community Development Test.

The institution demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development throughout the institution's assessment area. The rating is supported by the following factors.

#### ***Community Development Loans***

The Bank's community development lending activity is adequate. The Bank made seven qualified community development loans totaling \$3.3 million during the evaluation period. These loans had the primary purpose of providing community services to low- and moderate income individuals or geographies, economic development, or affordable housing.

#### ***Community Development Investments***

The level of qualified investments is adequate. The Bank made approximately \$101,000 in qualified charitable donations during the review period. Donations primarily assisted organizations which provide community services targeted to low- and moderate- income individuals.

#### ***Community Development Services***

The Bank provided an adequate level of community development services throughout the evaluation period, including involvement in various community development organizations, participation in first-time home buyer programs, and provisions and availability of services to low- and moderate-income individuals.

## SCOPE OF THE EXAMINATION

This evaluation assesses Clinton Savings Bank's CRA performance utilizing the interagency intermediate small bank ("ISB") examination procedures, as established by the Federal Financial Institutions Examination Council. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage, small business, and small farm loans during a certain review period. The Community Development Test is an analysis of activities (loans, investments, and services) an institution completed to meet the needs of the community since the previous evaluation.

The Lending Test considered the Bank's home mortgage and small business lending. The Bank's most recent Report of Condition and Income ("Call Report"), dated June 30, 2012, indicated residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 59.6 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 30.0 percent of the loan portfolio. Residential lending also represented the majority of loan volume during the review period. Therefore, the Bank's performance in home mortgage lending carried greater weight in the Lending Test. The Bank made no small farm loans; thus, this product line was not analyzed.

Data reviewed includes all originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") for 2010 and 2011. The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 286 loans totaling \$69.2 million in 2010 and 371 loans totaling \$55.4 million in 2011. The Bank's 2010 home mortgage lending performance was compared against 2010 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the Bank's assessment area. The evaluation focused on lending performance in 2010, as aggregate data for 2011 was not yet available.

Small business loans were also reviewed for the same period. As an ISB, the Bank has the option of collecting and reporting small business lending data. The Bank opted to collect, but not report, the data. The Bank's internal records indicated the institution originated 50 small business loans totaling \$7.6 million in 2010, and 37 small business loans totaling \$6.5 million in 2011. As the Bank is not required to report small business loan data, small business aggregate data was not used for formal comparison purposes. Instead, business demographics of the assessment area were used to measure the Bank's performance.

While the Lending Test discusses the total dollar amounts of loans, conclusions are primarily based on the Bank's lending performance by the number of loans originated or purchased. The number of loans correlates more closely with the number of individuals or businesses that obtained loans. Extremely large or small dollar loans could skew conclusions. Demographic information referenced in this evaluation was obtained from the 2000 United States ("U.S.") Census, unless otherwise noted. Financial data was generally obtained from the June 30, 2012 Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between February 1, 2010 and October 15, 2012.

The prior CRA evaluation was conducted by the Division and the FDIC as of February 1, 2010, using ISB procedures. The evaluation resulted in an overall "Satisfactory" rating by the Division and the FDIC.

## PERFORMANCE CONTEXT

### Description of Institution

Clinton Savings Bank is a state-chartered savings bank headquartered at 200 Church Street in Clinton, Massachusetts. The Bank operates as a subsidiary of Wachusett Financial Services, Inc., a bank holding company. The company, through its subsidiary Clinton Savings Bank, offers personal and business banking services. The company was incorporated in 2003 and is based in Clinton. Wachusett Financial Services, Inc. operates as a subsidiary of Clinton Financial Services, Mutual Holding Company (MHC).

The Bank offers products and services at its main office in Clinton and its five additional full-service branches located in Berlin, Bolton, Boylston, Sterling and West Boylston. The Bank's main branch is located in a moderate-income census tract, one branch is located in a middle-income census tract, and four are located in upper-income census tracts. Income levels were determined from 2010 U.S. Census data. The Bank also operates a limited service branch at Nashoba Regional High School in Bolton, which is not open to the general public. All branches offer 24-hour automated teller machine (ATM) service, as well as drive-up service. Remote ATMs are available in Berlin (Berlin General Store), Bolton (Bolton Orchards), Boylston (Cyprian Keyes Golf Club) and Clinton (Clinton Hospital and Pam's Place). The Bank offers surcharge-free access to all ATMs displaying the Allpoint Network logo. The Bank closed its ATM located at O'Malley's Gas Station in February of 2012.

As of June 30, 2012, the Bank had total assets of \$480.2 million and total deposits of \$371.8 million. Total loans were \$331.2 million and represented 69.0 percent of total assets. The Bank's total assets decreased 1.2 percent since the previous CRA performance evaluation, dated February 1, 2010.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

| Table 1 – Loan Portfolio Distribution as of June 30, 2012   |                           |                           |
|---|---------------------------|---------------------------|
| Loan Type   | Dollar Amount<br>\$(‘000) | Percent of<br>Total Loans |
| <b>Loans Secured by Real Estate</b>   |                           |                           |
| Construction, Land Development, and Other Land Loans  | 19,281                    | 5.8                       |
| Secured by Farmland (Including Farm Residential and Other Improvements)                                   | 0                         | 0.0                       |
| Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit | 14,541                    | 4.4                       |
| Closed-end Loans Secured by 1-4 Family Residential Properties:<br>Secured by First Liens                  | 172,912                   | 52.2                      |
| Closed-end Loans Secured by 1-4 Family Residential Properties:<br>Secured by Junior Liens                 | 5,994                     | 1.8                       |
| Secured by Multi-Family (5 or more) Residential Properties  | 3,804                     | 1.2                       |
| Secured by Nonfarm Nonresidential Properties  | 84,291                    | 25.4                      |
| Loans to Finance Agricultural Production and Other Loans to Farmers                                       | 0                         | 0.0                       |
| Commercial and Industrial   | 15,151                    | 4.6                       |
| Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)                | 15,240                    | 4.6                       |
| <b>TOTAL LOANS</b>  | <b>331,214</b>            | <b>100.0</b>              |

Source: June 30, 2012 Call Report

As depicted in Table 1, the Bank's loans are primarily concentrated in residential real estate, followed by commercial real estate. No financial or legal impediments exist that would limit or impede the Bank's ability to meet the credit needs of the delineated assessment area.

### **Description of Assessment Area**

The CRA requires the designation of one or more assessment areas within which a financial institution's record of helping to meet the credit needs of its community will be evaluated. The Bank has one designated assessment area that conforms to CRA requirements as it consists of whole geographies, does not arbitrarily exclude low- or moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination.

### **Geographies**

The Bank's assessment area includes the following communities: Berlin, Bolton, Boylston, Clinton, Harvard, Holden, Lancaster, Leominster, Northborough, Princeton, Shrewsbury, Sterling and West Boylston. The Bank expanded its assessment area since the previous CRA evaluation by adding Holden, Leominster, Northborough and Shrewsbury. Clinton Savings Bank's assessment area is located throughout Worcester County, Massachusetts (MA) and is located within the Worcester, MA Metropolitan Statistical Area (MSA) #49340.

The geographic distribution section of the Lending Test evaluates the distribution of loans by census tract income level, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

The assessment area contains 33 census tracts. Based on 2000 U.S. Census data, there are no low-income tracts, 2 moderate-income tracts, 13 middle-income tracts, 17 upper-income tracts and 1 census tract without an income level designation. The 2 moderate-income tracts are located in Leominster. The tract without an income level is home to the former Fort Devens military base, located in Harvard.

According to 2000 U.S. Census data, the population of the assessment area is 158,000. Of the total population, 4.6 percent reside in moderate-income census tracts, 42.4 percent in middle-income census tracts, 52.5 percent in upper-income census tracts and 0.5 percent in the census tract with no income level.

Table 2 contains pertinent demographic information concerning the assessment area.

| <b>Table 2 – Assessment Area Demographic Information</b> |          |                       |                            |                          |                         |                          |
|--|----------|-----------------------|----------------------------|--------------------------|-------------------------|--------------------------|
| <b>Demographic Characteristics</b>                       | <b>#</b> | <b>Low<br/>% of #</b> | <b>Moderate<br/>% of #</b> | <b>Middle<br/>% of #</b> | <b>Upper<br/>% of #</b> | <b>NA<br/>% of<br/>#</b> |
| Geographies (Census Tracts)                              | 33       |                       | 6.1                        | 39.4                     | 51.5                    | 3.0                      |
| Population by Geography                                  | 158,000  |                       | 4.6                        | 42.4                     | 52.5                    | 0.5                      |
| Owner-Occupied Housing by Geography                      | 42,610   |                       | 2.3                        | 39.2                     | 58.5                    | 0.0                      |
| Businesses by Geography (2010)                           | 11,461   |                       | 6.3                        | 36.5                     | 56.2                    | 1.0                      |
| Businesses by Geography (2011)                           | 16,262   |                       | 5.3                        | 35.5                     | 58.3                    | 0.9                      |
| Distribution of Families by Income Level                 | 42,458   | 13.6                  | 15.0                       | 20.7                     | 50.7                    | 0.0                      |
| <b>Median Family Income (MFI)</b>                        |          | \$72,940              | <b>Median Housing</b>      |                          | \$190,221               |                          |
| <b>MSA #49340 MFI, 2010</b>                              |          | \$79,900              | <b>Value</b>               |                          | 3.1%                    |                          |
| <b>MSA #49340 MFI, 2011</b>                              |          | \$82,500              | <b>Unemployment Rate</b>   |                          |                         |                          |
| <b>Families Below Poverty Level</b>                      |          | 3.9%                  | <b>(2000 U.S. Census)</b>  |                          |                         |                          |

*Source: 2000 U.S. Census, 2010 and 2011 D&B data, 2010 and 2011 HUD Estimated Median Family Incomes*

### **Median Family Income Levels**

The analysis under the “Borrower Characteristics” section of the Lending Test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2000 U.S. Census for the Worcester, Massachusetts MSA annually adjusted by the Department of Housing and Urban Development (HUD) for inflation and other economic events. The estimated 2010 and 2011 MFI figures were \$79,900 and \$82,500, respectively.

The analysis of the Bank’s home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 reveals there is a much higher representation of upper-income families compared to other income categories. Low-income families have the smallest representation at 13.6 percent and families below the poverty level, a subset of this income designation, represent over 25 percent of this group. This data suggests lending opportunities to lower-income families are limited.

### **Housing Characteristics**

Among other statistics, Table 2 also illustrates the distribution of owner-occupied housing units by census tract income level. The table shows 58.5 percent of all owner-occupied housing units in the assessment area are located in upper-income census tracts; however, only 2.3 percent of total owner-occupied units are in the moderate-income tracts. This greatly limits opportunities to make home mortgage loans in moderate-income census tracts.

The median housing value in the assessment area was \$190,221 as of the 2000 U.S. Census. More recent housing data obtained from *The Warren Group* indicated higher home values. The town of Harvard had the highest median housing values for 2010 and 2011. In addition, the town of Leominster had the lowest median housing values for 2010 and 2011. Median housing values decreased in all assessment area communities from 2010 to 2011 except Berlin, Northborough, and Bolton. Despite this trend, home prices are relatively high and likely out of reach for many low- and moderate-income individuals and families.

### **Unemployment Data**

State and county unemployment rates were obtained from the Bureau of Labor Statistics. The Massachusetts state unemployment rate was 8.3 percent in 2010 and 7.4 percent in 2011. The Worcester County unemployment rate was 9.1 percent in 2010 and 8.1 percent in 2011.



Municipal unemployment rates were obtained from the Massachusetts Executive Office of Labor and Workforce Development. The 2010 annual unemployment rates ranged from a low of 6.5 percent in Bolton to a high of 10.7 percent in Leominster. While annual unemployment rates decreased for each assessment area community in 2011, unemployment rates in Leominster remained higher than the average of both Worcester County and the State.

### **Business Demographic Data**

According to Dun & Bradstreet (D&B) data, there were 11,117 non-farm businesses in the assessment area in 2010. Of total non-farm businesses 6.4 percent were in moderate-income tracts, 36.8 percent were in middle-income tracts, and 55.8 percent were in upper-income tracts and 1.0 percent in the tract with no income designation. In terms of revenues, 79.2 percent of businesses had gross annual revenues (GARs) of \$1.0 million or less; 4.7 percent had GARs greater than \$1.0 million; and 16.1 percent did not report GAR information.

In 2011 there were 15,825 non-farm businesses in the assessment area. Of total non-farm businesses 5.4 percent were in moderate-income tracts, 35.7 percent were in middle-income tracts, 58.0 percent were in upper-income tracts and 0.9 percent in the tract with no income designation. In terms of revenues, 69.1 percent of businesses had GARs of \$1.0 million or less, 3.3 percent had GARs greater than \$1.0 million and 27.6 percent did not report GAR information.

The number of non-farm businesses in the assessment area grew significantly from 2010 to 2011. Since the Bank's assessment area has no low-income census tracts and only two moderate-income census tracts, there is limited opportunity to originate small business loans in these areas. Conversely, due to the high percentages of businesses with GARs of \$1.0 million or less, there is opportunity for the Bank to lend to small businesses.

### **Competition**

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies to large national banks. Among the more prominent lenders competing with the Bank are Bank of America, Wells Fargo, and JPMorgan Chase. The 2010 Peer Mortgage Data shows that 284 lenders originated 2,497 residential mortgage loans in the Bank's assessment area. Clinton Savings Bank ranked 14<sup>th</sup> with a 1.8 percent market share. The Bank does not purchase loans, but many of the financial institutions ranked ahead of the Bank purchase residential loans. Furthermore, the only two local financial institutions ranked ahead of the Bank were Workers Credit Union and IC Federal Credit Union.

### **Community Contact**

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The contact indicated funding for revitalization and stabilization projects in downtown Clinton is a pressing issue in the area. The contact stated local financial institutions are involved in donating, but could give further support by providing guidance and expertise to potential small businesses. According to the contact, individual homeowner financing is also a community development need at this time.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: LTD Ratio, Assessment Area Concentration, Borrower Characteristics, Geographic Distribution, and Response to CRA Complaints. Overall, the Bank's performance under the Lending Test is "Satisfactory." This rating indicates that the Bank's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area.

#### Loan-to-Deposit Ratio

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and its reasonableness. Clinton Savings Bank's LTD ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 10 quarters since the previous CRA evaluation was 89.7 percent. The Bank's net LTD ratio as of June 30, 2012, was 88.0 percent.

Growth patterns of loans and deposits were also analyzed to assess changes in the net LTD ratio over the course of the review period. Net loans (total loans net of unearned income and allowance for loan losses) had some fluctuations during the review period. Net loans were reported the highest at \$347.0 million as of March 31, 2010, and the lowest at \$323.7 million as of March 31, 2012. Overall, net loans declined by 6.1 percent over the last 10 quarters. Total deposits also fluctuated slightly throughout the review period, resulting in growth of 2.4 percent. As a result of deposit growth and a decline in loans, the net LTD ratio decreased overall during the review period from 95.7 percent to 88.0 percent.

The Bank's average net LTD ratio was compared to the average net LTD ratios of four other locally-based, similarly situated depository institutions utilizing the period of March 31, 2010 to June 30, 2012. Each institution is headquartered in Worcester County and had total assets between \$375 million and \$525 million as of June 30, 2012. The Bank ranked third when compared to the other Bank's average net LTD ratio.

| Table 3 – Loan-to-Deposit Comparison |  |                          |
|--------------------------------------|--|--------------------------|
| Bank Name                            | Total Assets<br>\$(000) as of<br>6/30/12 | Average Net LTD<br>Ratio |
| Southbridge Savings Bank             | 427,145                                  | 104.6                    |
| Savers Co-operative Bank             | 418,542                                  | 92.0                     |
| <b>Clinton Savings Bank</b>          | <b>480,207</b>                           | <b>89.7</b>              |
| Fidelity Co-operative Bank           | 518,264                                  | 88.2                     |
| Spencer Savings Bank                 | 375,574                                  | 88.0                     |

*Source: March 31, 2010 through June 30, 2012 Call Reports*

Additionally, the Bank sells loans in the secondary market. Since the last examination, the Bank sold 371 loans totaling \$80.8 million. This, in addition to the Bank's LTD ratio, demonstrates its willingness to reinvest in the community through its lending services.

## Assessment Area Concentration

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area by evaluating the amount of lending conducted within the assessment area. The analysis includes both residential and small business lending. As stated previously, more weight was placed on residential lending performance based on the composition of the Bank's loan portfolio and the volume of loans generated within each product line. Table 4 portrays the Bank's record of originating loans inside and outside the assessment area during the review period.

| <b>Table 4 – Distribution of Loans Inside and Outside of Assessment Area</b> |                        |             |                |             |              |                      |             |                 |             |                       |
|--|------------------------|-------------|----------------|-------------|--------------|----------------------|-------------|-----------------|-------------|-----------------------|
| <b>Loan Category or Type</b>   | <b>Number of Loans</b> |             |                |             |              | <b>Dollar Volume</b> |             |                 |             |                       |
|  | <b>Inside</b>          |             | <b>Outside</b> |             | <b>Total</b> | <b>Inside</b>        |             | <b>Outside</b>  |             | <b>Total \$ (000)</b> |
|  | <b>#</b>               | <b>%</b>    | <b>#</b>       | <b>%</b>    |              | <b>\$ (000)</b>      | <b>%</b>    | <b>\$ (000)</b> | <b>%</b>    |                       |
| <b>Home Mortgage Loans</b>   |                        |             |                |             |              |                      |             |                 |             |                       |
| <b>2010</b>  |                        |             |                |             |              |                      |             |                 |             |                       |
| Home Purchase  | 49                     | 53.3        | 43             | 46.7        | 92           | 12,990               | 56.7        | 9,933           | 43.3        | 22,923                |
| Refinance  | 111                    | 68.1        | 52             | 31.9        | 163          | 25,049               | 65.3        | 13,295          | 34.7        | 38,344                |
| Home Improvement   | 23                     | 74.2        | 8              | 25.8        | 31           | 4,963                | 62.5        | 2,977           | 37.5        | 7,940                 |
| <b>Total</b>   | <b>183</b>             | <b>64.0</b> | <b>103</b>     | <b>36.0</b> | <b>286</b>   | <b>43,002</b>        | <b>62.1</b> | <b>26,205</b>   | <b>37.9</b> | <b>69,207</b>         |
| <b>2011</b>  |                        |             |                |             |              |                      |             |                 |             |                       |
| Home Purchase  | 31                     | 63.3        | 18             | 36.7        | 49           | 5,722                | 51.5        | 5,378           | 48.5        | 11,100                |
| Refinance  | 89                     | 66.9        | 44             | 33.1        | 133          | 23,667               | 66.1        | 12,118          | 33.9        | 35,785                |
| Home Improvement   | 57                     | 30.2        | 132            | 69.8        | 189          | 5,297                | 62.1        | 3,232           | 37.9        | 8,529                 |
| <b>Total</b>   | <b>177</b>             | <b>47.7</b> | <b>194</b>     | <b>52.3</b> | <b>371</b>   | <b>34,686</b>        | <b>62.6</b> | <b>20,728</b>   | <b>37.4</b> | <b>55,414</b>         |
| <b>Total Home Mortgage</b>   | <b>360</b>             | <b>54.8</b> | <b>297</b>     | <b>45.2</b> | <b>657</b>   | <b>77,688</b>        | <b>62.3</b> | <b>46,933</b>   | <b>37.7</b> | <b>124,621</b>        |
| <b>Small Business Loans</b>  |                        |             |                |             |              |                      |             |                 |             |                       |
| 2010   | 30                     | 60.0        | 20             | 40.0        | 50           | 3,756                | 49.3        | 3,870           | 50.7        | 7,626                 |
| 2011   | 23                     | 62.2        | 14             | 37.8        | 37           | 3,896                | 60.2        | 2,571           | 39.8        | 6,467                 |
| <b>Total Small Business</b>  | <b>53</b>              | <b>60.9</b> | <b>34</b>      | <b>39.1</b> | <b>87</b>    | <b>7,652</b>         | <b>54.3</b> | <b>6,441</b>    | <b>45.7</b> | <b>14,093</b>         |
| <b>Grand Total</b>   | <b>413</b>             | <b>55.5</b> | <b>331</b>     | <b>44.5</b> | <b>744</b>   | <b>85,340</b>        | <b>61.5</b> | <b>53,374</b>   | <b>38.5</b> | <b>138,714</b>        |

Source: 2010 and 2011 HMDA LARs and Bank Small Business Records

Overall, a majority of the Bank's residential and small business loans, by number and dollar amount, were inside the designated assessment area. As shown in Table 4, Clinton Savings Bank made 55.5 percent of its total loans, by number, and 61.5 percent, by dollar amount, inside the assessment area. The following sections detail the Bank's performance by loan type.

### **Home Mortgage Lending**

Clinton Savings Bank originated a majority of home mortgage loans inside its assessment area in 2010 and 2011 combined. During 2011, the Bank originated only 47.7 percent of loans by number within the assessment area. Management explained the Bank partnered with a major utility company to offer Mass Save HEAT loans. This utility company does business over a wide geographic area, resulting in increased originations outside of the assessment area. In 2010 the Bank originated 8 HEAT loans outside the assessment area. In 2011, however, the Bank originated 132 HEAT loans outside the assessment area. Management also indicated the Bank recently changed its policy and will only originate HEAT loans within its assessment area.

Additional analysis of home mortgage loans inside the assessment area by loan purpose was also performed. Refinance loans represented the largest portion of loans within the assessment area each year, which may be explained by the low-rate environment. Overall, refinances and home

purchase loans declined in 2011, while home improvement loans increased. The biggest increase in loan volume was in home improvement loans with an increase of 34 loans, or 148.0 percent, during the review period. Again, the increase resulted from HEAT loan originations.

Clinton Savings Bank ranked 14<sup>th</sup> out of 284 HMDA-reporting lenders in the assessment area in 2010, capturing approximately 1.8 percent of the market share. All of the institutions ranked higher than the Bank were large national banks or mortgage companies. The only local institutions that out-ranked the Bank were Workers Credit Union (11<sup>th</sup>) and IC Federal Credit Union (13<sup>th</sup>), both located in Fitchburg. It should be noted Clinton Savings Bank does not purchase loans and the majority of the institutions that out-ranked the Bank in market share purchased a significant number of loans.

### **Small Business Lending**

Small business loan data was analyzed to determine the extent of small business lending within the assessment area. A majority of small business loans, by both number and dollar amount, were made in the assessment area during the review period.

As shown in Table 4, Clinton Savings Bank made 53, or 60.9 percent, of total small business loans inside the assessment area during 2010 and 2011. Although the number of loans inside the assessment area decreased from 2010 to 2011, the Bank's concentration of loans was steady. Overall, the Bank continues to produce a majority of its small business loans within the assessment area.

### **Geographic Distribution**

Overall, the geographic distribution of home mortgage and small business loans reflects a reasonable dispersion throughout the assessment area. As previously mentioned, the assessment area does not contain low-income census tracts and has only two moderate-income census tracts. The following sections discuss Clinton Savings Bank's performance under this criterion with regard to each product line.

### **Home Mortgage Lending**

The distribution of the Bank's home mortgage loans reflects reasonable dispersion throughout the assessment area. Table 5 presents the Bank's home mortgage lending performance by number of loans in 2010 and 2011, as well as the 2010 aggregate market data. Table 5 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

| <b>Table 5 – Distribution of Home Mortgage Loans by Census Tract Income Level</b> |   |   |                  |              |                  |              |
|---|---|---|------------------|--------------|------------------|--------------|
| <b>Census Tract<br/>Income Level</b>  | <b>% of Total<br/>Owner-<br/>Occupied<br/>Housing<br/>Units</b> | <b>2010<br/>Aggregate<br/>Lending Data<br/>(% of #)</b> | <b>2010 Bank</b> |              | <b>2011 Bank</b> |              |
|   |   |   | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     |
| <b>Moderate</b>   | 2.3   | 1.0   | 0                | 0.0          | 1                | 0.6          |
| <b>Middle</b>   | 39.2  | 29.9  | 62               | 33.9         | 78               | 44.0         |
| <b>Upper</b>  | 58.5  | 68.9  | 121              | 66.1         | 98               | 55.4         |
| <b>N/A</b>  | 0.0   | 0.2   | 0                | 0.0          | 0                | 0.0          |
| <b>Total</b>  | <b>100.0</b>  | <b>100.0</b>  | <b>183</b>       | <b>100.0</b> | <b>177</b>       | <b>100.0</b> |

*Source: 2000 U.S. Census Data; 2010 and 2011 HMDA Data*

In 2010, the Bank's lending within the middle-income tracts, at 33.9 percent, was more than the aggregate lending at 29.9 percent. Conversely, the Bank's percentage of loans in upper-income geographies was slightly less than the aggregate market.

As previously mentioned there are no low-income census tracts and only two moderate-income census tracts (Leominster) located in the assessment area. The Bank made no loans in 2010 and only one loan in 2011 within the moderate-income geographies. While the lack of loans is a concern, the performance within the moderate-income tracts is mitigated by the fact the aggregate market only made 1.0 percent in the moderate-income tracts in 2010. Additionally, only 2.3 percent of the total owner-occupied housing units are located in the moderate-income tracts. Finally, the lack of a branch presence (in Leominster) also impacted the Bank's performance, as competition from other local banks influenced the ability to originate loans.

While not shown in Table 5, the distribution of the Bank's residential loans was also analyzed by loan purpose. In 2010, the Bank made 20 home purchase loans, 7 home improvement loans and 35 refinance loans in the middle-income census tracts. In 2011, 17 home purchase loans, 26 home improvement loans, and 35 refinance loans were made in middle-income tracts. The increase in home improvement loans resulted from HEAT loan originations. Overall, this information shows how the Bank is meeting the credit needs of the middle-income census tracts by delivering products which serve all three loan purposes.

### Small Business Lending

The geographic distribution of the Bank's small business loans reflects reasonable dispersion throughout the assessment area. Table 6 illustrates the Bank's small business lending activity in 2010 and 2011, as well as the composition of businesses by census tract income level.

| <b>Table 6 – Distribution of Small Business Loans by Census Tract Income Level</b> |   |                  |              |   |                  |              |
|--|---|------------------|--------------|---|------------------|--------------|
| <b>Census Tract<br/>Income Level</b>   | <b>2010<br/>% of Total<br/>Businesses</b> | <b>2010 Bank</b> |              | <b>2011<br/>% of Total<br/>Businesses</b> | <b>2011 Bank</b> |              |
|  |   | <b>#</b>         | <b>%</b>     |   | <b>#</b>         | <b>%</b>     |
| <b>Moderate</b>  | 6.3                                       | 0                | 0.0          | 5.3                                       | 0                | 0.0          |
| <b>Middle</b>  | 36.5                                      | 20               | 60.0         | 35.5                                      | 17               | 73.9         |
| <b>Upper</b>   | 56.2                                      | 10               | 40.0         | 58.3                                      | 6                | 26.1         |
| <b>N/A</b>   | 1.0                                       | 0                | 0.0          | 0.9                                       | 0                | 0.0          |
| <b>Total</b>   | <b>100.0</b>                              | <b>30</b>        | <b>100.0</b> | <b>100.0</b>                              | <b>23</b>        | <b>100.0</b> |

*Source: 2010 and 2011 D&B Business Data; 2010 and 2011 Bank Small Business Loan Records*

In 2010, the Bank's lending in middle-income geographies by number (60.0 percent) is significantly greater than the percentage of businesses in these geographies (36.5 percent). The percentage in 2011 increased to 73.9 percent. The Bank has a very high concentration of loans in the middle-income geographies near its main office.

Bank management indicated significant competition and the lack of a branch presence in Leominster made lending in the moderate-income tracts very difficult. Additionally, only 6.3 percent of the area's total businesses are located in the moderate-income tracts. Further, given the low volume of small business lending, the origination of only one loan in a moderate-income tract would have made the Bank's performance consistent with demographic data. These factors indicate the distribution of loans is adequate.

## **Borrower Characteristics**

Overall, the distribution of borrowers, given the demographics of the assessment area, reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes. The overall conclusion is based on the reasonable distribution of home mortgage loans to low- and moderate-income individuals, and the Bank's reasonable penetration of lending to businesses with GARs of \$1 million or less. The following sections discuss the Bank's performance by loan type.

### **Home Mortgage Lending**

The Bank's performance is reasonable. Borrower incomes for loans reported in 2010 and 2011 were compared to the Worcester, MA MSA MFI. Table 7 shows the Bank's loans by borrower income level in 2010 and 2011. Table 7 also includes the distribution of families by income level (based on 2000 U.S. Census data) and aggregate market data for 2010.

| <b>Table 7 – Distribution of Home Mortgage Loans by Borrower Income Level</b> |                            |   |                  |              |                  |              |
|---|----------------------------|---|------------------|--------------|------------------|--------------|
| <b>Income Level</b>   | <b>% of Total Families</b> | <b>2010 Aggregate Lending Data<br/>(% of #)</b> | <b>2010 Bank</b> |              | <b>2011 Bank</b> |              |
|   |                            |   | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     |
| <b>Low</b>  | 13.7                       | 3.3   | 8                | 4.4          | 9                | 5.1          |
| <b>Moderate</b>   | 14.9                       | 12.2  | 32               | 17.5         | 28               | 15.8         |
| <b>Middle</b>   | 20.7                       | 19.9  | 44               | 24.0         | 45               | 25.4         |
| <b>Upper</b>  | 50.7                       | 49.0  | 96               | 52.5         | 92               | 52.0         |
| <b>N/A</b>  | 0.0                        | 15.6  | 3                | 1.6          | 3                | 1.7          |
| <b>Total</b>  | <b>100.0</b>               | <b>100.0</b>                                    | <b>183</b>       | <b>100.0</b> | <b>177</b>       | <b>100.0</b> |

*Source: 2000 U.S. Census Data; 2010 and 2011 HMDA Data*

The Bank originated 4.4 percent and 5.1 percent of its home mortgage loans to low-income borrowers in 2010 and 2011, respectively. The Bank's performance in 2010 exceeded aggregate data, which was at 3.3 percent. Although the Bank's percentage of loans to low-income borrowers was less than the percent of low-income families, a significant portion of these families would likely not qualify for a home mortgage loan, as approximately 28.3 percent of families in the low-income category live below the poverty level.

The Bank originated 17.5 percent and 15.8 percent of its loans to moderate-income borrowers in 2010 and 2011, respectively. The Bank's percentage in 2010 was greater than the aggregate performance of 12.2 percent. The Bank's lending to moderate-income borrowers in 2010 and 2011 was greater than the percentage of moderate-income families (14.9 percent) in the assessment area. Performance under this criterion is considered good.

The Bank's residential loans were also analyzed by purpose. In 2010, the majority of loans to both low- and moderate-income borrowers were refinance loans. In 2011, the majority of loans to low-income borrowers were home improvement loans. Review by loan purpose did not reveal any patterns that would yield different conclusions under this performance factor.

The 2010 market-rank reports revealed Clinton Savings Bank ranked 13<sup>th</sup> out of 81 lenders that made at least one home mortgage to a low-income borrower in the assessment area, with a market share of 2.4 percent. Additionally, the Bank ranked 9<sup>th</sup> out of 150 institutions in lending to moderate-income borrowers, with a market share of 2.6 percent.

### Small Business Lending

The distribution of the Bank's small business loans by GAR level is adequate. Table 8 illustrates Clinton Savings Bank's small business loans, as well as business composition in the assessment area by GAR.

| Table 8 – Distribution of Small Business Loans by Gross Annual Revenues (GAR) |                                  |           |              |                                  |           |              |
|---|----------------------------------|-----------|--------------|----------------------------------|-----------|--------------|
| GAR \$(000)   | 2010<br>% of Total<br>Businesses | 2010 Bank |              | 2011<br>% of Total<br>Businesses | 2011 Bank |              |
|   |                                  | #         | %            |                                  | #         | %            |
| ≤ \$1,000   | 79.6                             | 21        | 70.0         | 69.8                             | 12        | 52.2         |
| > \$1,000   | 4.7                              | 9         | 30.0         | 3.3                              | 11        | 47.8         |
| Not Reported  | 15.7                             | 0         | 0.0          | 26.9                             | 0         | 0.0          |
| <b>Total</b>  | <b>100.0</b>                     | <b>30</b> | <b>100.0</b> | <b>100.0</b>                     | <b>23</b> | <b>100.0</b> |

Source: 2010 and 2011 D&B Business Data; 2010 and 2011 Bank Small Business Loan Records

In 2010, the Bank extended 21, or 70.0 percent, of its small business loans to businesses with GARs of \$1 million or less. This performance is similar to the percentage of total businesses within the assessment area with GARs of \$1 million or less (79.6 percent). The Bank's performance decreased in 2011, with 52.2 percent of its small business loans made to businesses with GARs of \$1 million or less and was below the actual percentage of businesses operating at GARs of \$1 million or less (69.8). Nonetheless, the Bank's performance is reasonable as a majority of loans were made to small businesses in each year.

### Response to CRA Complaints

Clinton Savings Bank did not receive any CRA-related complaints during the evaluation period. It was noted that the Bank maintains adequate procedures to handle all incoming complaints, including those related to its CRA performance.

## COMMUNITY DEVELOPMENT TEST

Clinton Savings Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

### Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

The level of Clinton Savings Bank's community development lending is reasonable. The Bank originated seven community development loans totaling approximately \$3.3 million since the previous examination of February 1, 2010. These numbers represent 1.0 percent of the Bank's total loans and 0.7 percent of the Bank's total assets.

Table 9 details the Bank's community development loans by year, dollar amount, and qualifying community development category.

| Table 9 - Community Development Loans |                       |          |                        |          |                         |          |   |          |   |          |        |          |
|---------------------------------------|-----------------------|----------|------------------------|----------|-------------------------|----------|---|----------|---|----------|--------|----------|
| Activity<br>Year                      | Qualifying Category   |          |                        |          |                         |          |   |          |   |          | Totals |          |
|                                       | Affordable<br>Housing |          | Community<br>Services* |          | Economic<br>Development |          | Revitalization<br>or<br>Stabilization** |          | Neighborhood<br>Stabilization<br>Projects |          |        |          |
|                                       | #                     | \$(‘000) | #                      | \$(‘000) | #                       | \$(‘000) | #                                       | \$(‘000) | #   | \$(‘000) | #      | \$(‘000) |
| 2/01/2010 –<br>12/31/2010             | 1                     | 245      | 2                      | 644      | 2                       | 338      | 0                                       | 0        | 0   | 0        | 5      | 1,227    |
| 2011                                  | 0                     | 0        | 0                      | 0        | 0                       | 0        | 0                                       | 0        | 0   | 0        | 0      | 0        |
| 1/1/2012 -<br>10/15/2012              | 0                     | 0        | 1                      | 500      | 1                       | 1,608    | 0                                       | 0        | 0   | 0        | 2      | 2,108    |
| Total                                 | 1                     | 245      | 3                      | 1,144    | 3                       | 1,946    | 0                                       | 0        | 0   | 0        | 7      | 3,335    |

Source: Bank Records

\*Targeted to Low- or Moderate Income Individuals

\*\*Of Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

Three of these loans provided community services to low- and moderate-income individuals living in the Bank's assessment area. Three loans achieved economic development in the assessment area by creating or retaining permanent jobs in moderate-income tracts or for low- and moderate-income individuals. The remaining loan promoted affordable housing in the assessment area.

The Bank increased the total number of community development loans since the previous evaluation, when only one loan was originated. Further, the dollar amount of originations increased over \$3.2 million since the last CRA evaluation. The following is a representative sample of the community development loans originated during this review period.

#### **February – December 2010**

- The Bank originated an affordable housing loan to a non-profit organization which provided affordable housing units (4-6) to low- and moderate-income (LMI) individuals in the assessment area.
- The Bank originated two loans totaling \$338,000 to a small business located in the Bank's assessment area. The purpose of these loans was to expand the business. The loan funds allowed the business to create four additional positions. The small business owners, as well as the employees working for the small business, are all LMI individuals.



## **2011**

The Bank did not have any community development loan activity in 2011.

## **2012**

- The Bank refinanced and increased a revolving line of credit to a non-profit organization which provides community services targeted to LMI individuals in the Bank's assessment area. The organization helps match employer labor needs with qualified LMI individuals. Specifically, a small business was recently opened in Clinton which primarily employs LMI individuals who are participants of this organization's program.
- The Bank originated a loan for \$1.6 million to a business located in a moderate-income census tract in the Bank's assessment area. The purpose of this loan was to purchase equipment that created approximately eight new LMI factory jobs which would have otherwise been outsourced to lower paid positions outside the country.

### **Qualified Community Development Investments**

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation.

Total qualified investments for this evaluation period included grants and donations by the Bank and those made through the Clinton Savings Charitable Foundation, which was established in 2001. Since the previous examination, dated February 1, 2010, there have been no equity investments; however, the Bank did have approximately \$101,000 in qualified grants and donations. This level of donations and grants marks an increase of more than 236 percent when compared to the Bank's qualified contributions at the time of the last CRA Performance Evaluation.

### ***Charitable Donations***

Contributions were made to organizations providing education, youth programs, affordable housing, health and human services, and support to businesses for growth and development. From February 1, 2010, through October 15, 2012, Clinton Savings Bank granted approximately \$269,000 in charitable donations to community organizations, of which approximately \$101,000, or 37.5 percent, was considered qualified under CRA for community development. Table 10 breaks down the Bank's qualified donations by year and purpose.

**Table 10 - Community Development Grants and Donations**

| Activity<br>Year          | Qualifying Category   |          |                        |          |                         |          |   |          |   |          | Totals |          |
|---------------------------|-----------------------|----------|------------------------|----------|-------------------------|----------|---|----------|---|----------|--------|----------|
|                           | Affordable<br>Housing |          | Community<br>Services* |          | Economic<br>Development |          | Revitalization<br>or<br>Stabilization** |          | Neighborhood<br>Stabilization<br>Projects |          |        |          |
|                           | #                     | \$ (000) | #                      | \$ (000) | #                       | \$ (000) | #                                       | \$ (000) | #   | \$ (000) | #      | \$ (000) |
| 2/01/2010 –<br>12/31/2010 | 2                     | 8        | 12                     | 21       | 1                       | 8        | 0                                       | 0        | 0   | 0        | 15     | 37       |
| 2011                      | 1                     | 7        | 12                     | 22       | 1                       | 1        | 0                                       | 0        | 0   | 0        | 14     | 30       |
| 1/1/2012 -<br>10/15/2012  | 3                     | 11       | 9                      | 15       | 1                       | 8        | 0                                       | 0        | 0   | 0        | 13     | 34       |
| Total                     | 6                     | 26       | 33                     | 58       | 3                       | 17       | 0                                       | 0        | 0   | 0        | 42     | 101      |

Source: Bank Records

\*Targeted to Low- or Moderate-Income Individuals

\*\* In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

Examples of the qualifying organizations include, but are not limited to:

- A non-profit agency dedicated to protecting the equity of LMI elder homeowners. As an independent third-party, the agency receives no fees for any loans generated.
- The Bank provided scholarships to six high schools throughout its assessment area. These scholarships are specifically awarded to students from low- and moderate-income homes.
- A special education facility that bases its work on the tenants of social skills development, emotion regulation, and collaborative problem solving. The Bank's donation to this organization primarily serves students residing at the school. All of the resident students come from LMI homes.
- A food pantry servicing the Clinton community provides free meals and food in a hospitable environment, providing advocacy on behalf of the disadvantaged, and provides job-skills training and job placement through various programs.
- An umbrella organization focused on funding other local non-profit organizations based on an assessment of the critical needs of the Tri-County area. The Bank's donations provided funding to organizations offering affordable housing, affordable health care and child care, job training, and other related services in the assessment area.

### **Qualified Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services. Clinton Savings Bank demonstrated an adequate responsiveness to the area's community development needs. The Bank is currently involved in 16 local services and non-profit entities which qualify as community development organizations, lending their financial expertise to these organizations. Nine employees and three Directors are active in these organizations.

### ***Bank Employee and Director Involvement***

During the evaluation period, officers and employees of the Bank, as well as members of the Bank's Board of Directors were involved in organizations in various capacities that represented a community development purpose. Bank personnel provided these organizations with financial expertise and served as directors, officers, loan committee members, and volunteers.

| Table 11 - Community Development Services |                     |                     |                      |                                   |                                     |           |
|---|---------------------|---------------------|----------------------|-----------------------------------|-------------------------------------|-----------|
| Activity Year                             | Qualifying Category |                     |                      |                                   |                                     | Totals    |
|   | Affordable Housing  | Community Services* | Economic Development | Revitalization or Stabilization** | Neighborhood Stabilization Projects |           |
|   | #                   | #                   | #                    | #                                 | #                                   |           |
| 02/01/2010 – 12/31/2010                   | 3                   | 10                  | 2                    | 0                                 | 0                                   | 15        |
| 2011                                      | 4                   | 10                  | 2                    | 0                                 | 0                                   | 16        |
| 1/1/2012 - 10/15/2012                     | 2                   | 10                  | 2                    | 0                                 | 0                                   | 14        |
| <b>Total</b>                              | <b>9</b>            | <b>30</b>           | <b>6</b>             | <b>0</b>                          | <b>0</b>                            | <b>45</b> |

Source: Bank Records

\*Targeted to Low- or Moderate-Income Individuals

\*\*Of Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

The following are examples of the Bank's participation with various organizations that benefited the assessment area.

**Growing Places Garden Project:** This non-profit provides a sustainable source of food for LMI individuals by providing complete vegetable gardens and teaching clients how to care for and maintain the garden to create a sustainable healthy food source. A Senior Vice President (SVP) of the Bank serves as the Treasurer of this organization.

**Ron Burton Training Village (RBTV):** The mission of the RBTV is to build racial harmony, leadership, self-determination, respect and love for others through a program of spiritual, educational, and physical fitness training in a wholesome, caring environment. The substantial majority of youth participating in this organization are from economically disadvantaged and often troubled and at-risk situations. An SVP of the Bank serves as the Fundraising Chair, and is on the Board of this organization, and also volunteers as a youth counselor for the group.

**Our Lady of the Lake:** A Bank Vice President serves on the Finance Committee of this faith-based organization that provides communities in the Bank's assessment area with a food pantry, outreach, and emergency services to LMI individuals.

**Wachusett Health Education Action Team (WHEAT):** This non-profit organization provides low-income individuals with food, clothing, temporary shelter, legal aid, abuse support, fuel and utilities costs, and rent assistance. A former Bank SVP served as the Treasurer of this organization during the review period.

**Central Massachusetts Regional Planning Commission (CMRPC):** The CMRPC promotes housing development for LMI families through its assistance to the 40 communities (including the communities within the Bank's assessment area) in southern Worcester County in applying for and administering state and federal grants that generate affordable housing. A member of Clinton Savings Bank's Board of Directors serves as the Clerk of the Executive Committee of the CMRPC. Further, this Director also serves as the Chair of the CMRPC's Physical Development Committee. This committee oversees the allocation of District Local Technical Assistance (DLTA) funds that are made available from the Commonwealth. In the current fiscal year funds have been applied to studies that will help to promote economic development in the region.

**Wachusett Chamber of Commerce:** Established to promote economic development in the town of Clinton and the greater Wachusett area, an SVP from the Bank serves as the Treasurer of this organization. Additionally, a number of Bank employees serve on specific committees which are further devoted to promoting economic development in the assessment area.

### ***Retail Banking Services***

As previously mentioned, the bank maintains full services branches in Berlin, Bolton, Boylston, Clinton, Sterling, and West Boylston. These branches are all within the Worcester, MA MSA.

- The Bank participates in the *Interest on Lawyers Trust Accounts (IOLTA)* program, which requires lawyers and law firms to establish interest-bearing accounts for client deposits. Interest earned is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. At the time of this evaluation, the Bank serviced 34 accounts totaling approximately \$5.9 million.
- The Bank offers Remote Deposit Capture to its business customers. This service facilitates check deposits for businesses not conveniently located near a branch.

### ***Financial Education and Outreach***

Throughout the evaluation period, Bank personnel and management participated in various education and outreach events that had community development as their primary purpose. The following bullets illustrate examples of these community development activities.

- The Bank participates in the Massachusetts Housing first-time homebuyer program. During the review period a lender from the Bank conducted six first-time home buyer workshops.
- The Bank provides educational banking programs at Nashoba High School. These programs increase the financial literacy of students, including those from low- or moderate-income families.

### ***Other Services***

- The Bank offers loan modifications for residential loans to help customers avoid foreclosure and retain home ownership. During the evaluation period, the Bank extended 35 hardship loan modifications. Of these 35 modifications, 10 were to low-income and 12 were to moderate-income borrowers in the Bank's assessment area.

## **APPENDIX A**

### ***Massachusetts Division of Banks Fair Lending Policies and Procedures Review***

**The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.**

All employees are provided with training appropriate to their job description and responsibilities in fair lending issues.

The Bank employs 113 employees: 90 are full time and 23 are part time. The Bank employs 12 who are bilingual. Languages spoken are: Albanian, Greek and Spanish.

The Bank employs a second review process.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

### **MINORITY APPLICATION FLOW**

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 158,000 individuals of which 12.0 percent are minorities. The assessment areas minority and ethnic population is 5.4 percent Hispanic or Latino, 3.1 percent Asian/Pacific Islander, 2.2 percent, 1.3 percent other Black/African American and 0.1 percent American Indian.

For 2010 and 2011, the Bank received 601 HMDA-reportable loan applications from within its assessment area. Of these applications, 18 or 3.0 percent were received from minority applicants. For the same time period, the Bank also received 5 applications, .8 percent of total applications, from ethnic groups of Hispanic origin within its assessment area.

The Bank's level of lending was compared with the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

The Bank's performance was below the 2010 aggregate's performance level for minority applicants. The Bank received 3.1 percent of its applications from minorities while the aggregate was higher at 9.8 percent. The Bank's performance was less than the 2010 aggregates' performance for ethnic minorities. The Bank received 0.3 percent while the aggregate received 2.6 percent for ethnic minorities. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

| <b>Table A1 – Minority Application Flow</b> |                  |              |                            |              |                  |              |                   |              |
|---|------------------|--------------|----------------------------|--------------|------------------|--------------|-------------------|--------------|
| <b>RACE</b>                                 | <b>Bank 2010</b> |              | <b>2010 Aggregate Data</b> |              | <b>Bank 2011</b> |              | <b>Bank TOTAL</b> |              |
|   | <b>#</b>         | <b>%</b>     | <b>#</b>                   | <b>%</b>     | <b>#</b>         | <b>%</b>     | <b>#</b>          | <b>%</b>     |
| American Indian/ Alaska Native              | 1                | 0.3          | 23                         | 0.2          | 1                | 0.4          | 2                 | 0.3          |
| Asian                                       | 2                | 0.6          | 1,039                      | 7.8          | 1                | 0.4          | 3                 | 0.5          |
| Black/ African American                     | 3                | 0.9          | 89                         | 0.7          | 0                | 0.0          | 3                 | 0.5          |
| Hawaiian/Pac Isl.                           | 0                | 0            | 21                         | 0.2          | 0                | 0.0          | 0                 | 0.0          |
| 2 or more Minority                          | 0                | 0.0          | 0                          | 0.0          | 0                | 0.0          | 0                 | 0.0          |
| Joint Race (White/Minority)                 | 4                | 1.3          | 131                        | 0.9          | 6                | 2.0          | 10                | 1.7          |
| <b>Total Minority</b>                       | <b>10</b>        | <b>3.1</b>   | <b>1,303</b>               | <b>9.8</b>   | <b>8</b>         | <b>2.8</b>   | <b>18</b>         | <b>3.0</b>   |
| White                                       | 278              | 87.2         | 9,259                      | 69.6         | 243              | 86.2         | 521               | 86.7         |
| Race Not Available                          | 31               | 9.7          | 2,741                      | 20.6         | 31               | 11.0         | 62                | 10.3         |
| <b>Total</b>                                | <b>319</b>       | <b>100.0</b> | <b>13,303</b>              | <b>100.0</b> | <b>282</b>       | <b>100.0</b> | <b>601</b>        | <b>100.0</b> |
| <b>ETHNICITY</b>                            |                  |              |                            |              |                  |              |                   |              |
| Hispanic or Latino                          | 0                | 0.0          | 225                        | 1.7          | 2                | 0.7          | 2                 | 0.3          |
| Not Hispanic or Latino                      | 285              | 89.3         | 10,203                     | 76.7         | 245              | 86.9         | 530               | 88.2         |
| Joint (Hisp/Lat /Not Hisp/Lat)              | 1                | 0.3          | 116                        | 0.9          | 2                | 0.7          | 3                 | 0.5          |
| Ethnicity Not Available                     | 33               | 10.4         | 2,759                      | 20.7         | 33               | 11.7         | 66                | 11.0         |
| <b>Total</b>                                | <b>319</b>       | <b>100.0</b> | <b>13,303</b>              | <b>100.0</b> | <b>282</b>       | <b>100.0</b> | <b>601</b>        | <b>100.0</b> |

Source: 2010 and 2011 HMDA LAR, 2010 HMDA Aggregate Data

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is not commensurate with the aggregate performance. A positive trend is noted for applications from Hispanic applicants while minority applications remained relatively constant as a percentage of total applications and remained below the performance of the aggregate.

## **APPENDIX B**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male

householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.



## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 200 Church Street, Clinton, MA 01510."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.